

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis

Student Loan Program

2003 Summary

Each year, the California Debt Limit Allocation Committee reserves a portion of its tax-exempt private activity bond authority for the Student Loan Program Pool. Authorized student lenders issue tax-exempt bonds either to finance direct loans to college students and their parents or to purchase bundles of already-originated loans on the secondary market. When used for direct lending programs, tax-exempt bond allocation allows lenders to pass on interest rate savings to needy students via below market interest rate loans. Needy students are borrowers for whom the cost to attend college exceeds their ability to pay, as determined by their school's financial aid office. Currently, only three agencies are authorized to issue tax-exempt bonds for student loan programs in California: ALL Student Loan Corporation, Chela Financial and the California Educational Facilities Authority. Under the leadership of State Treasurer Philip Angelides, the Committee has redirected the focus of this program toward benefiting financially-needy students and their families.

In 2003, CDLAC awarded \$155,000,000 in allocation, representing 5.9% of the state ceiling, to two issuers (ALL Student Loan Corporation and Chela Financial), both of which operate direct lending programs in California. Overall, the allocation will help to originate approximately 30,342 loans, each of which will save borrowers hundreds of dollars over the life of the loan compared to conventional, non-discounted loans. Approximately 83%, or \$128,340,000, of the allocation will benefit needy borrowers.

2003 Total Benefit of Student Loan Program

Allocation Amount	Approximate % to Needy Borrowers¹	Approximate Allocation Assisting Needy Borrowers	Estimated # of Loans Originated²
\$155,000,000	82.8%	\$128,340,000	30,342

Benefit By Issuer

Applicant	Program Type	Allocation Amount	Approximate % to Needy Borrowers³	Approximate Allocation Assisting Needy Borrowers	Estimated # of Loans Originated⁴	Maximum Interest Rate Discount	Maximum Savings for Subsidized Stafford Loans⁵	Maximum Savings for Unsub. Stafford Loans⁶
ALL Student Loan Corporation	Direct Lending	\$77,500,000	86%	\$66,650,000	15,171	2.00%	\$1,220	\$1,493
Chela Financial	Direct Lending	\$77,500,000	79.6%	\$61,690,000	15,171	1.75%	\$1,085	\$1,242

¹ Based on information presented in issuers' applications.

² Assuming an average loan amount of \$5,108.

³ Based on information presented in issuers' applications.

⁴ Assuming an average loan amount of \$5,108.

⁵ Savings compared to loans without discounts, assuming \$10,000 principal balance, over a ten-year repayment period.

⁶ Ibid.